

Declassified in Part - 5X1 1 of 1
0025/75
Sanitized Copy Approved for
Release 2011/11/15 : [REDACTED]
CIA-RDP86T00608R00030002

Declassified in Part - [REDACTED]
Sanitized Copy Approved for
Release 2011/11/15 : [REDACTED]
CIA-RDP86T00608R00030002

Secret

25X1



Weekly Summary

Secret

No. 0025/75
June 20, 1975

Copy No 1387



CONTENTS (June 20, 1975)

The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, the Office of Geographic and Cartographic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

- 1 Portugal: Key Decisions Expected
- 2 Brazil-US: Nuclear Plans Pose Problems
- 3 Turkey: Status of US Bases
- 4 Syria-Jordan: Asad's Visit
- 5 USSR-Egypt: A Downhill Slide

EUROPE

- 6 Italy: Swinging to the Left
- 7 EC - Arab States:
Substantive Dialogue Begins

25X6

- 9 Greece: Aspiring to the EC
- 10 Western Europe's Aircraft Industry
- 11 Romania: Ceausescu's Travels
- 12 USSR: Playing Hedgehog
- 13 The Soviets and Portuguese Africa
- 14 CEMA Ministerial Meeting

25X1

MIDDLE EAST
AFRICA

- 15 Lebanon: Troubles for Karami
- 16 Malagasy Republic: New Government
- 17 Somalia-USSR: Berbera Activity
- 17 India: Double Setback
- 19 Persian Gulf: Diplomatic Developments

EAST ASIA
PACIFIC

- 20 China: Arms for the Balkans
- 21 Thailand: Consolidating Power

WESTERN
HEMISPHERE

- 22 Argentina: Agreement with Labor
- 23 Chile: Disputing Economic Policy
- 24 Colombia: State of Siege
- 24 Guatemala: Sandoval Loses

25X1

SECRET

Portugal: Key Decisions Expected

Portugal's ruling Revolutionary Council has been meeting since June 13, apparently trying to resolve the country's deepening political crisis. A variety of reports suggests the council may be nearing a decision on such critical issues as the country's future political orientation, the role of political parties, press freedom, and possibly even leadership changes in the Armed Forces Movement itself.

Since the council's deliberations began, there has been a flurry of charges by radical leftists that the democratic parties are undermining Movement policies and sabotaging the economy. Along with such attacks, radical leftists have repeatedly appealed for the abolition of the present four-party governing coalition in favor of a non-party military government.

Even the Portuguese Communist Party appears to be growing more anxious over such a possibility. The Communists, while closely supporting Movement policies in their public statements, continue to emphasize the differences between themselves and the other parties—apparently hoping to secure a continuing role in policy-making in the event the coalition is dissolved.

The Movement also seems increasingly worried that the popularly elected Constituent Assembly will exceed its authority and interfere in national policy. Last week the Socialist-dominated assembly rebuffed Communist objections and voted overwhelmingly to set aside an hour each day to discuss topics of national concern. On June 17, some 8,000 leftists demonstrated in Lisbon demanding the abolition of the Constituent Assembly, an end to the coalition government, and arming of a militia drawn from popular councils of workers, soldiers, and sailors.

The dispute between the Socialist Party and Communists over control of the Socialist newspaper, *Republica*, has become a rallying point for all democratic forces. The Socialists, realizing that not only a free press but also their role in the government is at stake, continue to exert pressure on the Movement to restore the paper to Socialist control. The Portuguese Catholic Church is also raising its voice on the issue of press freedom.

Moreover, West European countries have made vitally needed economic assistance contingent upon the preservation of political parties and a free press. These freedoms, however,

Deputy director of *Republica* discussing pivotal issue of newspaper closure with officers of security forces



SECRET

inherently promote criticism of Movement policies, which Movement radicals not only find intolerable, but which they also feel gravely undermine efforts to revolutionize the country.

Leading members of the Revolutionary Council appear to be divided over the country's future course. Three major types of government are being considered: a pro-European pluralistic

model, supported by Movement moderates; an East European - style people's democracy, supported by Prime Minister Goncalves and his radical supporters; and a non-party nationalist regime, with direct ties to the people through "popular councils," supported by Rosa Coutinho, General Otelo de Carvalho and others. Most Movement leaders reportedly believe this stalemate must be overcome now if the country is to begin solving its ever-increasing problems.

25X1

Brazil-US: Nuclear Plans Pose Problems

Brazil's intention to become a nuclear power poses a fundamental challenge to traditionally amicable US-Brazilian relations. Official spokesmen have strongly denounced what they regard as US efforts to prevent the signing of a nuclear cooperation agreement with West Germany scheduled for next week.

Since 1967, Brazil has refused to sign the Nuclear Non-Proliferation Treaty, despite US pressure to do so, on the grounds that it discriminates against non-nuclear powers. Brazilian intransigence on this issue stems not only from apprehension over the lead of neighboring Argentina in nuclear technology, but from a conviction that as an emerging world power, Brazil should not restrict its options.

Brazil also sees atomic energy as an important factor in supplying its future energy requirements. It already imports three fourths of its oil, its known petroleum resources are small, and demand is growing. Although known uranium reserves are modest, extensive exploration efforts are under way. Brazilian deposits of thorium (which can be converted in reactors to form a new fissionable fuel, Uranium 233) are second only to India's.

West German officials also view recent US objections to the projected sale of a full nuclear fuel cycle with consternation. They have not

only taken precautions to ensure that Brazil will comply with the safeguard procedures of the International Atomic Energy Agency, but have agreed to satisfy some if not all of the major concerns voiced by four US experts who visited Bonn last May.

25X6

Brazil has made it clear that the negative US reaction will have no effect on its signing of the agreement. When Foreign Minister Silveira assumed office last year, he said that Brazil would not automatically align itself with US foreign policy and expressed the belief that Brazil would acquire more influence internationally if it could effectively demonstrate its independence on major political and economic issues.

The government's attitude toward what it obviously regards as outside interference could affect future bilateral relations with the US, especially since the contract negotiations resulting from the agreement are expected to drag on for the next several years. Many prominent Brazilians who are unhappy with recent US trade legislation probably also view criticism of the nuclear cooperation agreement as part of a US effort to inhibit Brazil's development.

25X1

SECRET

SECRET

Turkey: Status of US Bases

In a note to the US embassy in Ankara the Turkish government this week outlined its position on existing bilateral agreements with the US concerning common defense installations. The note provides a 30-day grace period—until July 17—for the US to lift its embargo on arms to Turkey, in effect since last February. If action is not taken during this time, Ankara will consider its agreements with the US on military facilities no longer in force. Negotiations will then be necessary for new agreements that will reflect the changed relationship.

Foreign Minister Caglayangil subsequently told the press that, while the grace period provides time for the embargo to be lifted, Turkish officials in Washington have taken soundings and are not optimistic. Caglayangil confirmed that the status of US bases would remain unchanged during the 30-day period.

The foreign minister noted that once discussions begin—at the "expert" level—US installations will be brought under a provisional status. He said this provisional framework will determine which installations will continue to operate, implying that some US bases may be closed pending the outcome of the negotiations.

The note represents a retreat of sorts by Ankara from earlier hints that Prime Minister Demirel was prepared to take strong retaliatory action and might even consider withdrawal from NATO's military structure. Demirel probably hoped to bring pressure on the US to change its policy on the arms embargo and to build up his role as defender of Turkey's national interest. Ankara is clearly still reluctant to sever military ties with the US.

The note made no reference to NATO, and a later public statement by Caglayangil emphasized that whatever the ultimate decision on the arms embargo and US facilities, the Turks will try to avoid any serious repercussions in their relations with the US on other matters.



Foreign Minister Caglayangil

There appeared to be little domestic pressure on Demirel to act at this time, which suggested that the deadline should be viewed primarily as a pressure tactic. The military had apparently concluded that Turkey had no alternative to its alliance with the US and Europe and should, therefore, take no irreversible steps. Even Demirel's political opposition was playing the issue in low key.

Within a few hours after the foreign minister's statement, however, opposition leader Bulent Ecevit issued a press release criticizing the softness of the government's response to the arms embargo. Ecevit has apparently been waiting for Demirel to commit himself on an issue related to Cyprus where his own public image is strongest and will stand him in good stead in any national debate. After backpedaling on the question of retaliatory measures since the arms embargo was imposed last February, the Demirel administration has now publicly committed itself to renegotiating US base rights and appears to be in a position where it can not easily back down if the embargo remains in force.

25X1

SECRET

SECRET



Asad and Husayn in Amman during recent meeting

Syria-Jordan: Asad's Visit

Syrian President Asad's highly publicized talks with King Husayn in Jordan last week resulted in closer personal ties between the two leaders and an agreement to establish a supreme joint committee to "coordinate military, political, economic, and cultural policies." The Jordanians apparently fended off Syrian overtures for a formal political union or a joint military command.

The visit—the first by any Syrian leader to Jordan since 1956—may also have helped soften Jordanian antagonism stemming from Syria's invasion of Jordan during the 1970 civil war between Husayn's Bedouin army and the Palestinian guerrillas. Jordanian officials were clearly anxious to give Asad a warm welcome and were ready to discuss closer political and economic cooperation. They clearly were not prepared to agree, however, to any arrangements that might significantly limit Amman's freedom of action.

Military contingency planning was almost certainly discussed in some detail, but judging by the outcome of the talks, the visit was more important from a political and psychological standpoint. Both Husayn and Asad hope to capitalize on their open courtship to bolster their positions in the jockeying now going on among the Arabs. In order to strengthen his hand in dealing with Egyptian President Sadat, Asad has been trying for some time to promote closer ties with Jordan, as well as with the Palestine Liberation Organization. Jordan's friendship has assumed added importance as Asad's relations with the Baathist regime in Baghdad have gone from bad to worse in recent months.

For his part, Husayn still wants to gain some say in the ultimate disposition of the West Bank. Although he has formally relinquished Jordan's negotiating role to the PLO, his hopes have been kept alive by the inability of PLO

SECRET

SECRET

chieftain Yasir Arafat to obtain an invitation to the Geneva peace conference. The Jordanians probably told Asad, as they have told Sadat, that they are not interested in going to Geneva unless the other Arabs, in effect, formally ask Jordan to attend. If they were hoping to elicit Syrian support for such a position, it is unlikely that Asad gave them much encouragement.

ments, such as a joint command, that Jordan might not be able to live up to later. 25X6

During his stay, Asad was given the standard VIP tour of "front line areas" in the Jordan Valley and of other Jordanian military installations. Husayn may have been seeking to impress upon his Syrian guests Jordan's vulnerability to attack by Israel in order to build a case against concluding any formal arrange-

USSR-EGYPT: A DOWNHILL SLIDE

Moscow's relations with Cairo seem to have sunk to a new low in recent weeks. The latest downturn was triggered by Moscow's recent dealings with Libya which, among other things, Sadat sees as a potential threat to himself.

The Egyptians are concerned about what Qadhafi will do with the weaponry he is getting from the Soviets and about reports the Libyans will allow the Soviet Mediterranean fleet to use Libyan port facilities. In response, Cairo has restricted Soviet naval access to Egypt.

annoyed when the flagship of the US Sixth Fleet was the only foreign naval vessel permitted to participate.

In reaction to needling by Cairo, Moscow has:

- Issued a sharp denial in *Pravda* of Egyptian charges that Moscow plans to establish bases in Libya.
- Leaked word that there is little chance of a visit to Cairo by General Secretary Brezhnev this year.
- Suggested that revenues from the Suez Canal should now enable Cairo to pay its debts to the USSR.

The Soviets are still shying away, however, from the kind of confrontation that might lead to a complete rupture of relations. For the present, at least, they have no satisfactory alternative to using the Egyptian ports, and over the longer term they hope to regain a position of influence in Cairo. In the meantime, each side has less inflammatory economic and military pressures it can exert on the other, and neither seems reticent about doing so.

Another symptom of the poor state of Soviet-Egyptian relations was the snub given the Soviet navy at the ceremonies opening the Suez Canal. Soviet officials were visibly

25X1

SECRET



Communist supporters cheer outside party headquarters as returns show strong gains

ITALY: SWINGING TO THE LEFT

The returns from regional, provincial, and municipal elections held on June 15-16 showed a marked shift to the left. The Christian Democrats remain the number one party only by a slim margin; their 35.3 percent of the vote hovered barely above the low registered in 1946. The neo-Fascists and the parties on the right declined.

The Communists, Socialists, and the more extreme left polled 46 percent of the vote in the provincial contests and over 47 percent in the regional races. This represents a gain of up to 6 percent over their showing in the 1972 parliamentary and 1970 regional elections.

The lion's share went to the Communists who reached an all-time high of 33.4 percent in the regional races. Even in their most optimistic projections the party had not expected more than 30 percent, a figure of immense symbolism for the Communists because they had not reached it in local elections since 1951. The party took first place in Milan, Naples, and Venice and strengthened its control of Florence

and Bologna. The strong Communist showing is likely to add new weight to the Communist proposal for an "historic compromise" designed to bring the party into the national government.

The Socialist Party, with 12 percent of the regional vote, picked up about 2 percent over its 1970 and 1972 showings. This increase is all the more significant because the Socialist Party is the only one in the center-left majority that advanced and at the same time an important barrier to Communist entry into the national government. At the local level, the Socialists now have the choice in some localities of joining the Christian Democrats to form center-left governments or cooperating with the Communists in establishing "frontist" administrations. At the national level, the party will probably behave as if the parliamentary balance had shifted in its favor.

The Christian Democrats must choose between agreeing with the strengthened Socialists on the terms for a new center-left government and moving toward early national elections. The

SECRET

SECRET

former seems most likely, but it will not be easy.

Both parties are divided on how to deal with the other. Some Socialists want to drive a hard bargain for a much greater share of the national government. Others argue that the elections have shown that opposition to the Christian Democrats is more profitable. For their part, the Christian Democrats face a major internal battle over the party leadership and policies. Party chief Fanfani—who bore the brunt of leftist attacks—will almost certainly be dropped. His successor will face a party divided on how to halt the erosion of its support.

Political leaders, including the Communists, have not gone beyond their initial cautious comments on what amounts to the largest shift in voting patterns since 1946. Serious private assessments began yesterday with a meeting of the Christian Democrats' party directorate. When the time comes for Italy's leaders to try to make adjustments at the national level—to reflect the changes in relative party strengths—the government crisis could be among the most difficult and protracted of the postwar period.

25X1

EC - Arab States SUBSTANTIVE DIALOGUE BEGINS

The first meeting of EC-Arab experts in Cairo last week was a success and apparently opens the way for cooperation in a number of fields. The experts skirted the three troublesome topics of oil, Israel, and the Palestinians, which have impeded discussions of the French-initiated proposal over the past year and a half. A second meeting is planned for late July and will be similarly structured to deny specific representation to the Palestine Liberation Organization.

Italy, which is about to assume the EC presidency for the remainder of the year, will provide the chairman, much of the planning, and probably a site near Rome. The West German adviser on the EC side has undertaken to propose a viable and popularly appealing cooperative project that might be tabled to demon-

strate that progress is being made. There is evidently no EC consensus as yet, however, on the wisdom of moving so quickly.

The participants in the Cairo meeting proposed six areas for future economic cooperation: industrialization; basic infrastructure; agriculture and rural development; financial cooperation; trade; and cooperation in the scientific, technological, cultural, labor and social areas. The political dimensions of the dialogue were described simply as an effort to renew links between the neighboring regions, to eliminate misunderstandings, and to establish bases for future cooperation.

The listing of labor and trade as areas for cooperation was a concession by the EC, but the community refused Arab demands that would establish the principle of identical EC trade treatment for all Arab states. The EC also rejected Arab demands that would have guaranteed training and equitable treatment for Arab workers in Europe. Both topics are important in the negotiation of specific community agreements with individual Arab states, which is simultaneously under way, and the EC does not want to generalize the benefits given to one state.

The major Arab concession, in addition to the format of the meeting, was the omission from the final confidential joint memorandum of any reference to guarantees for Arab investments in Europe.

The Irish chairman of the EC side said that the Arab League and the Palestinians present on the Arab side were particularly anxious to reach agreement on extending cooperation. Representatives of the oil-producing states seemed somewhat indifferent and the Algerians were negative "as usual." League Secretary General Riyadh was helpful in overcoming obstacles or incipient obstructionism from his fellow Arabs. The British embassy in Cairo commented that the EC chairman's inclusion of a reference in the joint memorandum to "a common cultural heritage" of Europeans and Arabs had so pleased the Arabs that it made the achievement of other objectives easier.

25X1

SECRET

Page Denied

SECRET

25X6

and some months ago offered to support Athens' bid even though economic interests such as wine producers in France and other EC states could be expected to make difficulties. The Italians are concerned about the competition of other Mediterranean countries in agricultural products, but reportedly believe that, in the case of Greece, the major concessions have already been made under the EC-Greece association agreement. The extension of the Mediterranean sector of the EC has a basic appeal to both French and Italian leaders who periodically express concern that the community is weighted too much to the "north."

Bonn, like the other EC members, wants to strengthen Greek ties to the Western democracies, but the West Germans would prefer to hold to the original schedule, which proposed to consider full membership in 1984. The financial burden of aid to Greece would—like other community expenses—fall most heavily on the West Germans. Moreover, both the Germans and the British believe that Turkey and Greece must be treated alike and therefore are inclined to delay action. Also, Bonn does not want to give the impression that it accepts the view that a Greek link to the EC is in any way a substitute for ties to NATO.

GREECE: ASPIRING TO THE EC

Rapprochement between Greece and the EC has been developing rapidly over the past year after a seven-year hiatus. The EC is nevertheless unprepared to take early favorable action on the request for full membership Athens submitted on June 12.

The Greece-EC association agreement, which was negotiated in 1961, but frozen at the time of the colonels' coup in 1967, was reactivated last December. The EC released \$57 million in financial aid that had been approved prior to the freeze. In April, Greece and the EC agreed on expansion of the association agreement to include the three countries that joined the EC in 1973.

In a series of visits to EC capitals in recent weeks, Greek leaders have been pressing their case for acceptance as a full member of the community. Paris has been the most receptive

Athens, for its part, seems particularly interested in the political aspects of EC membership. Observers in both Athens and Ankara believe that the bid itself is designed to strengthen Greece's ties with other West Europeans and bolster its position in relation to Turkey.

In any case, negotiations are likely to be difficult, lasting at least two or three years. Such factors as the complexities of EC structure, the relative backwardness of the Greek economy, and the complication of trying to work Turkey into the equation are almost certain to prolong delay. Then, a transition period of five years or more would probably follow before Greece would become a full-fledged member.

25X1

SECRET

SECRET**WESTERN EUROPE'S AIRCRAFT INDUSTRY**

The decision of three EC members—Belgium, the Netherlands, and Denmark—to choose the US-designed F-16 fighter aircraft over the French Mirage has brought home to the Europeans the acute dilemma they face in trying to strengthen cooperation among themselves as long as they are dependent on the US for their security. The Belgians, for example, have been in the forefront of those urging the development of an armaments policy as the natural outgrowth of moves toward European unity.

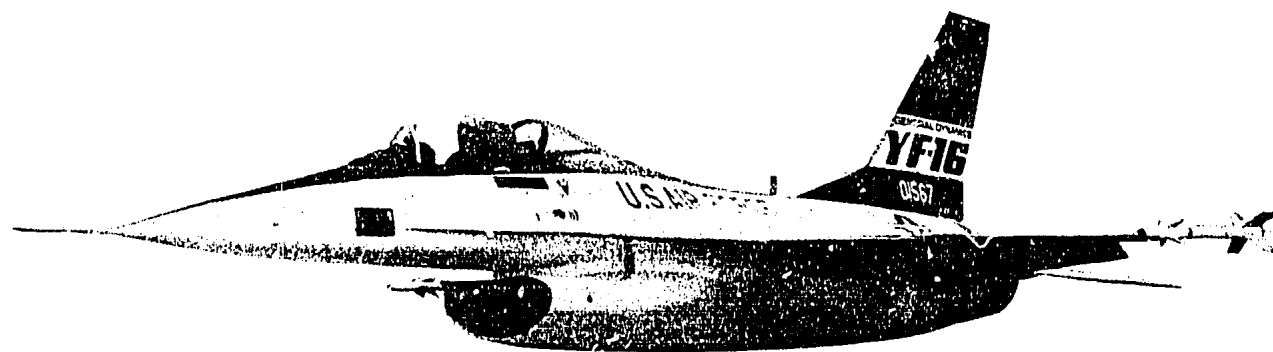
The F-16 decision has focussed attention on both the civil and military aspects of the aviation industry. EC members have begun to re-examine the possibility of establishing common policies and promoting multinational projects. The French, of course, term the Mirage a "European" aircraft, and after the consortium members opted for the US plane, Chirac characterized the decision as "profoundly regrettable for the future of European aeronautics." He noted that Paris intended to develop a new generation of civil aircraft that could become "a European project."

Some European industrial leaders, for their part, believe that the choice of the F-16, underscoring as it does the US superiority in aircraft production, will give a strong push to the European aerospace industry to cooperate in order to compete.

The EC Commission since 1970 has periodically taken up the problems of the European aerospace industry. Last month the commission presented a bleak report, which concluded that unless the Nine moved quickly to adopt common policies, they would have to acquiesce in continuing US dominance of the international market for aircraft. The EC Council will meet in October to discuss civil aviation problems, and in the meantime it is giving urgent attention to preparing recommendations on cost-cutting and streamlining of the industrial system.

The continued viability of the European aircraft industry depends on the ability of the community to:

- Concentrate production in one or two aircraft construction combines.
- Secure the commitment of EC governments to coordinate military requirements for new aircraft types and concentrate civil aircraft production on the short- and medium-haul market.
- Develop specific types of aircraft on the "European" level.
- Buy only "European" production of certain types of aircraft over the long run.

**SECRET**

SECRET

25X1

- Obtain a commitment by European airlines to undertake a long-term conversion to aircraft produced in Europe.

- Enhance the probability of sales to the non-European market.

The controversy over selecting the F-16 or the Mirage comes at a time when the Nine are discussing aspects of defense policy. European arms procurement is taken up in a NATO forum—the Eurogroup in which France does not participate—and defense matters have scarcely been touched by the EC in the past. The Rome Treaty, in fact, explicitly excludes armament production and the arms trade from common market jurisdiction.

Nevertheless, there has been a tendency among Europeans recently to view production of military hardware in the EC context. Last month, for example, the EC commissioner responsible for industrial matters suggested the creation of an ad hoc group that he felt could become a European agency for military purchases. The Dutch defense minister argued last December for a "Europeanization" of the arms industry that would entail a revision of the treaty provision. Recent Belgian initiatives in the Western European Union may also be aimed at eventually seizing the EC with arms production matters. The British and Germans, meanwhile, are not enthusiastic about any moves that might dilute NATO's authority in defense matters.

Meanwhile, the British, Germans, and Italians are jointly developing the Multi-Role Combat Aircraft, which they speculate might lay the groundwork for a pan-European military aircraft combine. The British suggest, perhaps somewhat optimistically, that the French might be persuaded to drop plans to develop their own super Mirage (Avion de Combat Futur—ACF) and participate in developing the multi-role craft.

A central question facing the European industry is whether France, and to a lesser degree the UK, will decide to go it alone in world

aircraft markets, seek closer cooperation with the US in the design and production of high-technology products, or join with their EC partners in long-range joint programs. [REDACTED]

ROMANIA: CEAUSESCU'S TRAVELS

Economic topics dominated President Ceausescu's talks on his trip to Latin America, the US, and the United Kingdom from June 4 to 12. The Romanian leader also praised non-aligned concepts and stressed his country's determination to pursue an independent foreign policy.

In Brazil, Ceausescu signed several economic agreements, including a \$150-million credit for metallurgical projects and an agreement to import 25 million tons of iron ore to Romania by 1985. The Romanians have long sought to reduce their dependence on the Soviets for this vital raw material.

En route to Mexico, Ceausescu paused in Venezuela to sign an agreement calling for Romanian participation in developing Venezuela's petroleum industry. While in Mexico, he and President Echeverria signed 11 scientific, economic, and cultural agreements, as well as a "solemn declaration" on international relations that focused on the independence, sovereignty, and territorial integrity of all states. The Mexican President reportedly was impressed by Romania's independence of the Soviets. [REDACTED] 25X1

Ceausescu's meeting with President Ford on June 11 received front page coverage in the Romanian press, which described the talks as part of a continuing dialogue. Less prominent coverage was given to Ceausescu's talks with members of Congress and leaders of the US Jewish community. Ceausescu also stopped in London on June 12 for talks with Prime Minister Wilson and a number of British businessmen. [REDACTED] 25X1

SECRET



USSR: PLAYING HEDGEHOG

The republic election speeches recently concluded by the Soviet leaders were conservative restatements of familiar Soviet domestic and foreign policies. The hints of difference and debate that added interest to last year's "electioneering" in the national elections were nearly indiscernible. Most members and candidate members of the Politburo stuck close to their areas of substantive specialty. Their collective satisfaction with Soviet fortunes at home and abroad was only occasionally qualified by references to domestic shortcomings and foreign pitfalls.

Foreign Policy

General Secretary Brezhnev reaffirmed Soviet interest in improved relations with the West, but in the somewhat tougher tone detected since the Central Committee plenum last April. His specific references to the US and to President Ford were favorable, and he praised steps toward a new strategic arms limitation agreement. He mentioned his forthcoming visit to Washington "this year."

In a more negative vein, Brezhnev cautioned that some Western politicians are paying only lip service to detente, and he criticized those who he said were trying to win over right-wing circles by feigning suspicion of detente. By implication, he called on supporters of detente in the West to be more forthright in their defense of it, but warned them not to look for

Soviet concessions to help them sell the concept at home.

Brezhnev's calls for reductions in military budgets and for banning the manufacture of new weapons of mass destruction were intended chiefly for propaganda value. Similar vague proposals have been floated by the USSR in the past in other forums.

President Podgorny and Premier Kosygin both added their voices to the chorus of praise for Soviet foreign policy, but neither broke new ground. Like Brezhnev, neither had much if anything to say about such perennial focuses of Soviet attention as China, the Middle East, or even CSCE.

References to the economic and political woes of the West were predictably frequent, but no one suggested that the long-awaited "final crisis" was at hand. Kosygin denied that East-West trade was of greater benefit to the socialist economies, but he explicitly tied prospects for Soviet economic development to improvement of the international political climate.

Domestic Policy

Brezhnev's address was half the length of his 1974 election speech, and he avoided even passing reference to long-term planning, production associations, reorganization of economic management, and other issues he discussed last year. Podgorny and Kosygin were only slightly

SECRET

SECRET

more specific. Both mentioned long-term planning, and Kosygin referred to a fifteen year plan for Moscow. The two gave a remarkably similar explanation of the Soviet economy's current inability to accelerate the growth in consumers goods production, arguing that a nation cannot consume more than its production capacity allows. Their remarks may be in response to dissatisfaction with the 1975 plan that projects a lower rate of growth for consumers' goods than for producers' goods.

The other speeches tended to concentrate on individual expertise. Minister of Agriculture Polyansky, for example, discussed agriculture to the exclusion of almost all else. While his speech last year concentrated on his specialty, he also mentioned industrial management and other potentially controversial topics which were ignored this year. Demichev, Grechko, and Gromyko followed the same pattern, although the contrast between their present and past speeches is not as great.

KGB chief Andropov, alone among the leaders, fulfilled the role of ideological watchdog. His address contained a pointed attack on proponents of civil liberties and ridiculed the "right of workers" to protest in front of the White House or Hyde Park in the face of Western economic distress. He stated that "democratic freedom" in the Soviet Union belonged only to those whose interest coincided with "society's," but he did admit the existence of "shortcomings" in Soviet society.

The Soviets probably hope to use their ties to Guinea-Bissau as an entree to the Cape Verde Islands, which become independent on July 5. The rulers of Guinea-Bissau, who in all likelihood will be the dominant force on the islands, have stated they do not intend to allow any foreign bases in Guinea-Bissau or the Cape Verdes. With a precipitous drop in Portuguese aid, however, they may look to Moscow, and the Soviets could angle for military-related facilities in return.

The Soviets are also doing well in Mozambique. The two countries will establish diplomatic relations and sign a trade agreement when that colony gains independence on June 25.

Mozambique's strategic location along the Indian Ocean may arouse the Soviets' interest. They probably will press for occasional access to Mozambique's ports for their naval and fishing fleets.

Events in Angola are going less well for Moscow, although the Soviet-backed Popular Movement has recently made gains against its major rival, the National Front. Front leaders now claim the Soviets have delivered "heavy arms," including armored cars, to the Movement.

A strategic motive is clearly behind Soviet policy in Portuguese Africa. Guinea-Bissau and the Cape Verde Islands could be used to strengthen Soviet naval capabilities in the South Atlantic, and Mozambique could provide a fallback position in the western Indian Ocean if something untoward happened in Somalia. But Soviet policy is also motivated by political considerations. It hopes to combat China's influence in the Third World and to show that its interest in detente has not weakened its will to be actively involved in these areas.

THE SOVIETS AND PORTUGUESE AFRICA

The Soviets are paying more attention to the former Portuguese colonies in Africa as these nations have gained or are approaching independence.

Moscow is the major source of weapons and training in Guinea-Bissau and has provided economic aid as well.

SECRET

SECRET**CEMA MINISTERIAL MEETING**

Government leaders from the nine full members of the Council for Economic Mutual Assistance are scheduled to hold their 29th ministerial session in Budapest on June 24. A key issue will be the impact of Western inflation and recession on their efforts to coordinate economic plans for the next five years.

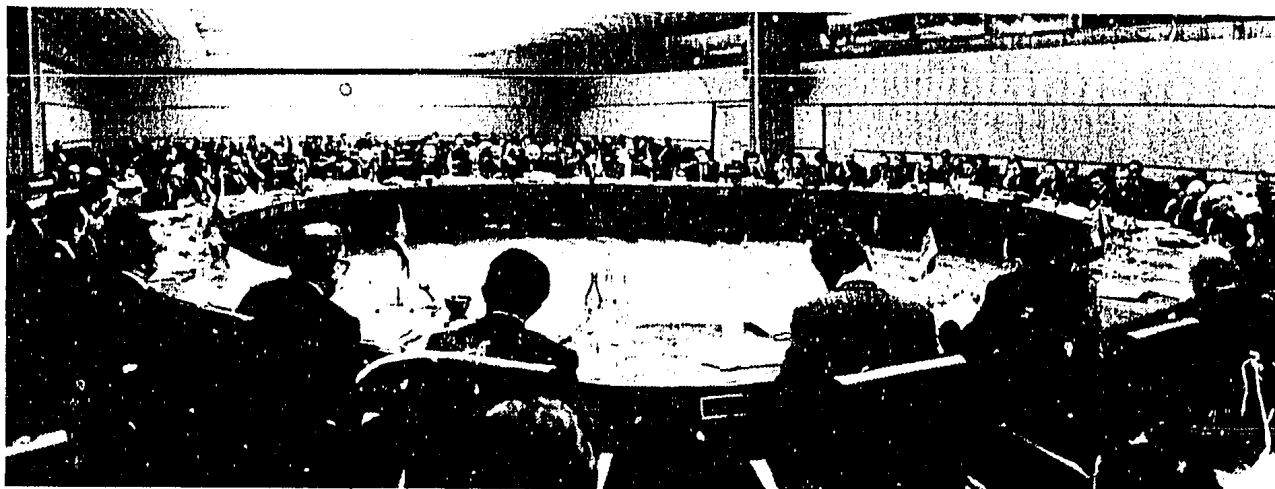
Most of the East European countries continue to run large trade deficits with the West similar to those incurred in 1974. Recent hikes in oil and raw material prices within CEMA have benefited the USSR—and to a lesser degree, Romania and Poland—but have compounded the problems of the other countries. Although Moscow has made some concessions, those East European regimes hardest hit will be seeking further relief.

The session will also probably examine current joint efforts to exploit new raw material resources—mostly in the USSR—and may approve new ventures. Construction of the mammoth Orenburg natural gas pipeline from the USSR to Eastern Europe may receive special attention because some East European leaders are already having trouble meeting their commitments.

The participants are slated to decide CEMA's next move toward establishment of a dialogue with the European Community. Since preliminary CEMA-EC talks in February fell through, the Soviets have reportedly proposed a measured three-stage approach to establishing relations. The initiative would permit individual East European countries to establish contact with the EC only in the last stage. This approach has stirred controversy within CEMA and had a cool reception from the EC. The CEMA members may also consider links with other non-communist countries. Mexico, among others, has been flirting with CEMA, and recently reiterated its readiness to "expand" relations.

The meeting may see some sharp exchanges between the Romanians and the Soviets over the nature and pace of CEMA integration. Recent articles in the Romanian press have strongly criticized any attempts to give CEMA or its various organizations greater powers at the expense of individual member countries. Specific issues involving Romania—and perhaps others—could include defining CEMA's negotiating mandate in future talks with the EC and how much authority to give multinational enterprises set up by CEMA member countries.

25X1



CEMA Executive Committee meeting in Moscow in April

SECRET

SECRET**LEBANON: TROUBLES FOR KARAMI**

The Lebanese public is beginning to lose confidence in the ability of Prime Minister - designate Rashid Karami to end the protracted government crisis. In three weeks of consultations he has been unable to wring concessions from leaders of the right-wing Phalanges Party, who demand representation in a new cabinet, or from leftist leaders, who insist that the Phalangists be left out. The continuing delay in forming a government has increased the chances that widespread street fighting will resume.

Leftist leader Kamal Jumblatt has altered his strategy somewhat; he now says that his Progressive Socialist Party will not participate in a new government. He hopes that this will force Karami to exclude the Phalangists as well. The two largest Christian parties—the Phalangists and the National Liberals—however, are united against this plan, and Karami cannot risk the renewed fighting that would result from an attempt to freeze the Phalangists out. For now, he is attempting to persuade them to accept being left out temporarily.

Syrian Foreign Minister Khaddam visited Lebanon for two days this week to try to break the impasse. Three weeks ago, he played a central role in negotiating the resignation of the military cabinet and the selection of Karami. Khaddam's presence in Beirut this week probably reflected Damascus' growing apprehension that Karami is losing support and that he might soon be forced to abandon his efforts to assemble a government.

Khaddam presumably urged Lebanese President Franjyah to elicit concessions from the Phalangists. In return, he may have reassured Franjyah that Syria is attempting to rein in Jumblatt, who traveled to Damascus for consultations with President Asad on June 17. Both Syria and Egypt—which weighed in with a letter to Franjyah from President Sadat—apparently consider the inclusion of the Phalangists in a new government as necessary to ensure stability in Lebanon.

Karami's task has been complicated by his difficult relations with Franjyah, who appar-



Karami

ently is reinforcing the Phalangists' position rather than forcing them to compromise. On June 11 Franjyah angered Karami's backers by convening a session of the unpopular caretaker military cabinet, a move they saw as an insulting reminder that the military cabinet is still in charge. Franjyah would take some satisfaction in seeing Karami fail; the President would then be free to turn again to a weak Muslim politician whom he could more easily dominate.

Karami has moved to protect himself against the possibility he may not succeed in forming a government by attempting in advance to put some of the blame for such a failure on Franjyah. He has indirectly criticized the

SECRET

SECRET

President's handling of the situation by publicly praising former president Shihab, who—with Karami as prime minister—provided vigorous and effective leadership after the 1958 civil war.

Recent developments have reduced Franjiyah's political strength and popularity, although he remains the dominant political figure in the country. He has been politically embarrassed by having to recognize publicly the failure of his military cabinet, the need to turn to his long-time rival, Karami, and the continuing necessity to accommodate Syrian desires when dealing with Lebanon's domestic problems. [REDACTED]

25X1

MALAGASY REPUBLIC: NEW LEADER

The military directory that has been ruling ineffectively in Tananarive since February turned over power this week to naval Commander Didier Ratsiraka, the leader of the cumbersome junta's leftist faction. It was the third change of leadership this year in Madagascar, which has been troubled by a resurgence of ethnic friction between the majority coastal tribesmen and the more prosperous Merina people of the central plateau.

Ratsiraka's peaceful accession as head of state and government on June 15 concluded a quiet struggle for influence with General Gilles Andriamahazo, a political moderate and the president of the 18-member directory that was formed following the assassination of head of state Richard Ratsimandrava. Coincident with the investiture of the 39-year-old Ratsiraka as head of a new Supreme Revolutionary Council, the directory dissolved itself and General Andriamahazo stepped down to a minor post.

Ratsiraka was the chief architect of the militant nonaligned policy adopted by the Indian Ocean island country three years ago following the ouster by the military of the pro-French civilian regime of former president Tsiranana. As foreign minister from 1972 until early 1975, Ratsiraka weakened drastically Madagascar's strong ties with France, cut its

controversial links with South Africa, and established relations with communist countries. He was also primarily responsible for the policy, adopted in 1973, of barring all foreign warships from the country's ports.

In domestic affairs, Ratsiraka favors socialist policies. In his first major policy statement since taking office, he decreed the nationalization of all banks and insurance companies.

Ratsiraka is the first coastal tribesman to gain the top position since Tsiranana's fall and will probably receive wide support from that ethnic group, which had chafed under the leadership of three successive Merina military officers. The new head of state is surely aware, however, that his most urgent task is to lessen the ethnic tensions that have kept the country politically unsettled for months and led to the murder of Ratsimandrava after only six days in office. The rivalry is particularly dangerous because it poses the possibility of clashes between the coastal-dominated gendarmerie and the Merina-dominated army.

In the past, Ratsiraka has appeared to have some ties to the Merina community, but they may view him less favorably now that he has replaced one of their own at the top. Many Merina probably believe that Ratsiraka and other coastal members of the directory were behind the recent acquittal of all but three of a large number of coastal tribesmen accused of complicity in the assassination last February.

The new regime will probably increase the volume of radical rhetoric coming from Madagascar, and matters of concern to the US will involve tough negotiations. For example, the new leader will almost certainly demand a large back-rent payment from the US as the price for extending the agreement that permits NASA to operate a tracking station on the island; the agreement formally expired at the end of 1973. Ratsiraka pressed for such a payment when he was foreign minister and again last March as a member of the directory. [REDACTED]

25X1

SECRET

SECRET

SOMALIA-USSR: BERBERA ACTIVITY

Recent satellite photography shows equipment and supplies delivered to the Soviet missile handling and storage facility in Berbera, Somalia. The installation appears to be nearing completion,

A single SS-N-2 Styx missile crate was observed early this month in the checkout and assembly area of the Berbera facility. Numerous other boxes and crates—probably containing equipment other than missiles—were seen at the facility as well. Another Styx crate has been seen at the Somali naval quay in the port area at Berbera since April.

The purpose of the SS-N-2 in Somalia is not clear. The Styx is carried on both Osa and Komar patrol boats, but neither the small Somali navy nor the Soviet fleet in the Indian Ocean includes either of these boats. None of the other Soviet ships that have operated in the Indian Ocean so far has been equipped with the SS-N-2.

The Soviets may intend to deliver Osas or Komars to Berbera in the near future—either for their own use or for the Somali navy.

25X1

The Berbera missile facility, however, is more elaborate than would be required for Styx missiles. We believe it is primarily intended to handle larger naval cruise missiles.

A new airfield is being constructed near the missile facility. Initial construction on six buildings was observed in May, and footings for another building and nine POL tanks were seen the first week in June. This support area is at the end of the runway closest to the missile storage facility. The photography indicates that surfacing of the runway is also progressing.

Clearing for this airfield was first noted in photography only last November. Construction is moving along quickly and planes could be using the field within a year.

25X1

INDIA: DOUBLE SETBACK

Prime Minister Gandhi's political position was seriously damaged last week when a court in her home state convicted her of campaign violations in 1971 and her Congress Party was defeated in a legislative election in the state of Gujarat. Opposition leaders are demanding that Mrs. Gandhi resign, but so far her party has stood behind her and she has appeared determined to stay on. Her survival in office depends on the Supreme Court's response to her planned appeal of the lower court's verdict and on her ability to fend off possible challenges from within her troubled party. Whatever happens to Mrs. Gandhi, the Congress Party—India's only truly national party—is likely to continue dominating the political scene.

On June 12, a state court judge ruled that Mrs. Gandhi was guilty of illegal use of state officials for campaign purposes. The penalty is a six-year ban on holding public office, but the judge granted a 20-day stay. Mrs. Gandhi's appeal to the Supreme Court, which will probably be filed on June 20 or 23, will include a request for an extension of the stay until a final decision is rendered.

Many observers in India believe Mrs. Gandhi will receive gentle treatment from the Supreme Court; all 14 judges on the court are her appointees. A reportedly pro-Congress justice is now handling court business while the court is in recess and presumably will rule on her request for an extended stay. The chief justice, elevated to the post by Mrs. Gandhi in 1973 over three more senior jurists who then resigned, could assist her by calling a special session to hear her appeal before the court's next scheduled meeting in mid-July.

In the event an extension of the stay is not granted, or if an appeal appears likely to take several months, Mrs. Gandhi could face considerable pressure from her party to step down pending a final ruling on her appeal. Party leaders are concerned about the effect the controversy over Mrs. Gandhi could have on the party's showing in nationwide parliamentary

SECRET



Demonstrators march in front of Prime Minister Gandhi's home

elections that are constitutionally required by early next spring. One alternative still legally available to her would be to request the election commissioner, a Gandhi appointee, to waive the penalty barring her from holding office. This move, however, would infuriate the opposition and probably also be damaging at the polls.

The defeat of the Congress Party in Gujarat was a major blow to the party and demonstrated that Mrs. Gandhi, who campaigned vigorously in the state, is no longer the vote-getter she was in 1971 and 1972. The Congress Party, which won 140 of 168 seats in Gujarat's last state election three years ago, this time captured only 75 of 181 seats contested. A five-party non-communist "People's Front" won 86 seats and was able to form a state government.

The Gujarat election was the first major test of the opposition parties' strategy of uniting behind single candidates. For over 20 years the fragmentation of opposition votes has helped the Congress Party prevail at both the state and national levels. The Gujarat victory will stimulate opposition efforts to cooperate on a nationwide basis in preparation for the parliamentary elections.

Since early 1974, a loose coalition of generally conservative opposition parties led by

Jayaprakash Narayan, a 72-year-old disciple of Mahatma Gandhi, has been campaigning against corruption and other governmental abuses. Following the state court decision, the opposition coalition declared it no longer recognizes Mrs. Gandhi as prime minister. It has been staging sit-ins in New Delhi and has scheduled a protest rally there this weekend. The opposition's small parliamentary contingent is planning to obstruct proceedings when parliament reconvenes, possibly in mid-July. 25X1

There are a number of veteran cabinet members and other party leaders who might vie for her job if she is forced to step down in favor of a temporary replacement. One potential contender, Agriculture Minister Jagjivan Ram, has a considerable following within the party, but Mrs. Gandhi would be reluctant to see him take over because he might not be willing to relinquish the post if she is vindicated by the Supreme Court. Others in the running might include Foreign Minister Y. B. Chavan, Defense Minister Swaran Singh, Congress Party President D. K. Barooah, and West Bengal Chief Minister S. S. Ray.

25X1

SECRET

SECRET**Prince Fahd**

Persian Gulf DIPLOMATIC DEVELOPMENTS

IRAN-IRAQ TREATY

Late last week in Baghdad, the foreign ministers of Iran and Iraq signed a treaty and three protocols formalizing the understanding reached in Algiers in early March by the Shah and Iraqi leader Saddam Husayn Tikriti. The Algerians, who played a key role in bringing together the long-estranged regimes in Tehran and Baghdad, participated in the signing.

The treaty and protocols are the culmination of three months of work by joint commissions. The protocols deal with the demarcation of land and water boundaries and with security arrangements to prevent border incidents and the infiltration of subversives. Control posts set up in each country to investigate complaints have been withdrawn, and a new border commission is to be established.

According to Iran's foreign minister, the treaty opens the way for an expansion of cooperation between the two countries. A navigation agreement for their southern river boundary and a consular accord, which would facilitate the travel of Iranian pilgrims to Shia Muslim shrines in Iraq, are now being negotiated. Rapid progress on these and other outstanding issues is not likely, however, because each side remains suspicious of the other's motives and objectives.

FAHD'S TRIP

Earlier this month, Saudi Crown Prince Fahd visited Kuwait and Iraq, launching his first venture in personal diplomacy since he took on added responsibilities following the assassination of King Faysal in March.

Although a variety of bilateral and regional problems were discussed, no announcements heralding substantive progress were forthcoming. Fahd's visit to Baghdad ended without even a joint communique. The Saudi leader, nevertheless, was warmly received by both the Kuwaitis and his Baath socialist hosts in Iraq.

Conspicuous by its absence from the Kuwaiti communique was any direct mention of Kuwaiti-Saudi water and land border questions or of the long-standing and potentially much more serious Iraqi claim to Kuwaiti territory. The communique did, however, refer to efforts to achieve greater cooperation and coordination among Arabian Peninsula states. In what was apparently a nod to recent expressions of interest by Baghdad and Tehran for some form of Persian Gulf security arrangement, the Kuwait communique also expressed hope that developments in the region would lead to the attainment of stability and security in the gulf without foreign intervention.

On June 28 Fahd is scheduled to visit Tehran where the Shah will most likely raise the matter of Persian Gulf security. Fahd is more amenable to cooperation with Tehran than was King Faysal, but the Saudis have yet to spell out how far they are willing to go toward a formal pact with their militarily superior neighbor across the gulf.

25X1

SECRET



IL-28 BEAGLE jet light bomber

CHINA: ARMS FOR THE BALKANS

Romania and Albania recently obtained jet combat aircraft from China.

now has about 14 naval combatants of Chinese design, and more will probably be produced.

[redacted] that the Romanian air force had at least 19 IL-28 jet light bombers, 6 more than the original 13 received from the USSR. According to an East European diplomat, reports are now circulating in Bucharest that 10 to 12 Chinese IL-28s have arrived in Romania.

Bucharest has gone to unusual lengths to conceal from Warsaw Pact allies this acquisition of non-Soviet equipment. Security measures designed to restrict foreign diplomats, including those from bloc countries, have been increased during the past few months as political tensions between Moscow and Bucharest have risen.

25X1

25X1

[redacted] The crates were probably delivered by a large Chinese cargo ship that transited the Bosphorus last fall for a brief unannounced stop at Constanta, Romania, before heading to its announced destination in Albania.

Albania has also received a recent shipment of Chinese aircraft—MIG-19 jet fighters.

25X1
25X1

Romania's acquisition of the Chinese aircraft is another move to reduce its dependence on the Soviet Union. The Romanians have had problems in obtaining military materiel from Moscow since at least 1966 and have tried, particularly in recent years, to diversify sources of supply.

Chinese only crate these fighters for overseas shipments. This MIG delivery, China's first to Albania in almost five years, tends to undercut recent rumors of a cooling in Sino-Albanian relations.

The bombers are the second major arms deal between Bucharest and Peking. Chinese-designed gunboats have been built for two years at a Romanian shipyard—the first non-Soviet naval combatants acquired by Romania since the end of World War II. The Romanian navy

China has for some time been actively cultivating Romania and Yugoslavia—while maintaining its long-standing ties with Albania—as part of its anti-Soviet diplomacy. There may well be other deals involving military and economic assistance in the works between China and the Balkan states.

25X1

SECRET



Strikers and police face each other at a textile plant

THAILAND: CONSOLIDATING POWER

25X1

Prime Minister Khukrit, given a slightly less-than-even chance of lasting more than six months when he took office last March, is beginning to consolidate his power.

Khukrit strengthened his image among Bangkok's civilian elite with his strong stand against the US over the Mayaguez affair. Although this stand troubled many senior military officers who favor a continued close relationship with the US, nationalistic sentiment forced them to identify themselves publicly with Khukrit on this issue. Khukrit has subsequently assured the military of his intention to maintain a close relationship with the US.

More important, Khukrit's swift and adept handling of a potentially troublesome labor dispute appears to have won him the backing of key army and police officers. His willingness to back the police and military in coping with civil unrest should mute grumbling among the military, whose growing impatience with the government's seeming "permissiveness" toward labor and student agitation contributed to a recent flurry of unsubstantiated coup rumors.

National Assembly. There is widespread speculation in Bangkok that the assembly will make a serious attempt to cut back the military budget this summer.

25X1

the crucial test for the Khukrit government will occur this August when the budget comes before the

SECRET

ARGENTINA: AGREEMENT WITH LABOR

The agreement reached this week with organized labor, allowing for substantial wage increases, helped the administration defuse a serious confrontation with workers but signaled its lack of control over the labor movement.

Workers had been demonstrating and engaging in work stoppages for two weeks to protest sharp hikes in the prices of gasoline, utilities, food, and a host of other items. The Argentine military, already highly upset over accelerating political and economic deterioration, viewed with alarm the prospect of massive street demonstrations by disgruntled workers. While the new agreement is likely to calm the immediate fears of the officers, their basic concern remains and may yet overcome their hesitancy to intervene in the political process.

While the agreement is billed as a compromise, the outcome appears more a victory for organized labor. Whereas the government had tried to limit wage increases, first to 38 and then to 45 percent, the unions now expect the final contracts to average 50 percent.

The outcome of the negotiations may have strengthened the positions of some of the top leaders of the Peronist labor confederation, who for some time have been under growing pressure from rank and file members to press for sizable demands. This is probably contrary to the hopes of presidential adviser Lopez Rega, who was almost certainly trying to undermine their support in an effort to extend his influence still further.

The sharp increases in prices, followed in short order by large wage hikes, has serious implications for the two-year-old agreement in which labor and industry promised to limit their respective demands. The agreement is part of the so-called Social Pact worked out by the late Juan Peron in 1973. While the recent increases do not necessarily mean an end to the Social Pact, they seem to signal the beginning of a new wage and price spiral. That, along with the government's clearly weak position, inevitably will invite increased demands from all politically important sectors, while the prospects for national consensus recede still further.

25X1



President Peron speaks to labor; Lopez Rega seated at far right

SECRET



Finance Minister Cauas

CHILE: DISPUTING ECONOMIC POLICY

25X1

President Pinochet is aware of the armed forces' concern over economic austerity measures, but he is reluctant to renege on his support for the program and leave himself open to charges that the government's lack of commitment led to failure.

25X1

If the latest economic moves do not show results by the end of the year—and they probably will not—prominent junta officials can be expected to step up pressures for a shift in policies. With the prospect of a staggering current account deficit of \$1.2 billion, caused in part by low world prices for copper and in-

creased petroleum import costs, as well as by slight chances for foreign financing, any successor economic team would have its hands full in a search for solutions.

Sweetening the Bitter Pill

In the face of a plethora of economic problems, the government is trying to alleviate hardships on those in the lower wage brackets with a new social welfare package. Although intended to soften the impact of economic austerity on Chile's poor, the program is probably inadequate to the task. The main points outlined by the interior minister on June 10 are:

- A national minimum-wage employment program by local governments to absorb unskilled, unemployed workers.
- A nutrition program to augment the diets of children under six.
- A food and housing program to assist school-age children of the poor.
- A program to build and staff nurseries.
- An emergency housing program to provide semi-permanent quarters for the homeless.
- A supply and distribution program to provide the needy with adequate food at reasonable prices.

The major drawback in this undertaking is that most of the concepts have already been tried with little success. To make matters worse, the government is seriously hampered by the budget cutbacks of the economic recovery program.

To offset the financial restraints, the government has requested PL 480 aid from the US. The junta will probably press for further assistance as it moves to overcome the "economic emergency."

25X1

SECRET

SECRET

COLOMBIA: STATE OF SIEGE

Reacting to persistent, widespread public disorders, President Alfonso Lopez Michelsen has declared a state of siege in Atlantico, Antioquia, and Valle departments, which incorporate three of the country's four largest cities. Additional areas may be included as conditions dictate.

volatile rise in public transportation fares. Such an increase is likely to spark additional violence, but will do the least political damage if it occurs while a state of siege is in effect.

25X1

With this move, Lopez has legalized the use of army troops in a police role. Protests by the army high command against the "illegal" use of troops for this purpose had prompted Lopez last month to relieve the army commander and to censure several other generals and colonels.

Lopez has been reluctant to impose a state of siege because of his campaign promise to broaden civil liberties. He can now be expected to impose strict controls on students, whose violent demonstrations have mushroomed in recent weeks, as well as on striking workers in the medical services and construction industries. He may also clamp down on low-income individuals who have been protesting generalized economic hardships.

The President may also take this opportunity to permit a long-delayed, politically

GUATEMALA: SANDOVAL LOSES

As expected, Vice President Sandoval's National Liberation Movement lost out in its bid to gain the presidency of the Congress. The candidate supported by President Laugerud won the post in the election on June 15. Sandoval's threat to pull his party out of the two-party governing coalition failed. The National Liberation Movement's loss of this key post is likely to increase discontent over Sandoval's leadership of the party.

The army high command and former president Arana fully supported Laugerud on the issue.

25X1

SECRET

Page Denied